

TESTIMONY

To The U.S. House Resources Committee Subcommittee on Water and Power

Tuesday, June 27, 2006

Presented by Laura Nelson, Ph.D.
Energy Advisor to Utah Governor Jon Huntsman, Jr.

Hearing Topic: How can we meet the electricity demand of the West through responsible development of energy rights-of-way on federal lands?

Good morning, Mr. Chairman, Ranking Member Napolitano, Members of the Subcommittee and ladies and gentlemen.

My name is Dr. Laura Nelson and I am Energy Advisor to Utah Governor Jon Huntsman, Jr.

I am pleased to be here this morning. My testimony is being provided on behalf of the Frontier Line Board, which is comprised of representatives of the Governors' offices of Utah, Nevada, Wyoming and California. However, for the record, let me state this testimony represents the specific views of the Utah Governor's office.

I would ask that my full testimony be entered into the record.

The Subcommittee has asked the witnesses in this hearing to respond to this question:
how can we meet the electricity demand in the West through responsible development of energy rights-of-way on federal lands?

Mr. Chairman, I will answer that question not in theoretic terms, but rather in terms of a specific, groundbreaking electricity infrastructure project, known as the "Frontier Line," now being developed for the West.

But before I provide that input, let me say this.

Any time the Federal Government engages in processes to expedite development on Federal lands, those processes are going to be controversial. Thus, with regard to

electricity infrastructure, I think it is appropriate to consider why we are pursuing what will sometimes be a difficult approach.

America's energy generation and transmission grid is the single most complicated system our society has ever constructed. The grid is also practically invisible to the great majority of your constituents and to most Americans.

Few things, though, are more central to our standard of living and supporting the quality of life in this country. The grid allows us to make our morning coffee, to get to work, to educate our children, to keep our families safe, to save lives and heal the sick, to create jobs and make our economy the envy of the world, and to keep our environment clean.

It is truly the lifeblood of our society, our economy and our nation.

Of course, most people don't notice the grid until something goes wrong and the lights go out. That's when we, our governors and your offices, are flooded with calls from distressed citizens.

Preventing those service interruptions must be our number-one policy goal. Disruptions in service adversely impact our business, our economy and our daily lives. Some circumstances can, in fact, lead to more catastrophic events where people are physically injured or suffer inordinate losses.

A more robust grid can help ensure that we are positioned to avoid to a greater extent the possibility of the blackouts and brownouts that our region endured in 2000-2001. In the view of my Governor's office, it is imperative that we make it the utmost priority to pursue policies and developments that support this objective.

We also need a stronger grid system for many other compelling public policy reasons.

- ❖ A more robust grid increases our energy and national security. An enhanced grid will allow us to have greater reliance on and utilization of energy that is produced right here in North America. We will have to depend less on energy imported from increasingly dangerous and volatile sources.
- ❖ A more robust grid will allow our citizens to access the vast clean energy resources with which our region is endowed. The West has significant opportunities for increased development of solar, wind, geothermal, biomass and clean coal resources. Most of these resources are remotely located from load centers and must have their power delivered via wire to consumers. Without an adequate grid, these clean energy resources are stranded and consumers are denied access to the clean resources that are increasingly demanded.
- ❖ An enhanced grid is a fundamental part of keeping energy prices as low as possible. This is particularly important for the millions of lower-income families

who, in the face of rising energy prices, are increasingly faced with this stark choice of “food or fuel.”

- ❖ Overall, a more robust grid will help to drive down the cost of new, cutting-edge technologies that can deliver revolutionary environmental and social benefits to our citizens. It will help us develop more renewable power plants, more hybrid fossil-renewable systems, and more clean coal generation facilities, such as gasification, liquefaction and polygeneration facilities. Certainly, those on Wall Street will note that greater investment in transmission capacity is a prerequisite to increased investment in most new baseload clean energy technologies.

The Frontier Line Vision

In the view of my Governor and of his colleagues from Wyoming, Nevada and California, the Frontier Line will help us achieve these goals. It also represents a collective vision of our Governors to encourage the construction of what would be the single largest clean-energy enabling infrastructure project ever built in the American West.

This vision for the Frontier Line had its roots in a multi-year effort to examine the potential benefits of a more robust regional electricity grid for the West. That effort was known as the Rocky Mountain Area Transmission Study (RMATS) and was led by the States of Utah and Wyoming.

In short, the RMATS study found that a project like the Frontier Line could generate annual consumer and generator benefits to the region of between \$926 million to \$1.7 billion based on natural gas prices lower than what we are expecting to experience going forward. The study indicates that California consumers alone stand to potentially benefit by \$325 million to nearly \$400 million annually.

Since the RMATS study was completed, other experts have done similar analyses that showed possible benefits to the region of significantly above these initial estimates.

The RMATS findings generated considerable discussion among our governors resulting in the concept of the Frontier Line which was unveiled by the Governors of Utah, Wyoming, Nevada and California in April 2004.

Their vision was to encourage the construction by the private sector of a multi-gigawatt transmission line, or series of lines, that would allow fast-growing load centers in California, Nevada, Utah, and other states to tap into the vast renewable and clean coal resources across the region of these states. It promulgated the vision of how transmission would be planned and built in the West to support our ever growing and vital economies. It has spawned the philosophy and the perpetuation of regional planning of transmission development as a necessary prerequisite for realizing our mutual goals of greater energy security and improved electric reliability.

Additional transmission infrastructure is seriously needed by our region. Using a historic growth rate of 2% per year, California must add at least 1,000 MW of new capacity each year, *net of retirements*, into the foreseeable future. Many theorize that it is unlikely that the West Coast and the Southwest region will be able to meet their rapidly growing demand for power without tapping into other regional resources.. Additionally, the rapidly growing population centers in Nevada and Utah are likely to need greater access to affordable and reliable electricity resources from within their states and through energy imports from other states in the region.

Resource-rich states such as Wyoming are anxious to utilize their expansive resource base to develop abundant renewable and clean coal power supplies for export. A limiting factor to additional expansion that would benefit all consumers in the West is lack of sufficient transmission.

Our Governors agreed that interconnecting these regions served the public interest in terms of meeting consumer demand, promoting resource diversity, pushing clean energy technologies forward, strengthening our region's energy and increasing our nation's energy security.

Where We Are Today

In April of this year our States reached agreement with a group of investor-owned utilities that provide service to territories in our four states to conduct a highly detailed feasibility study and conceptual plan for the Frontier Line. This study is now underway, and Mr. Chairman, I would ask that the joint letter between these utilities and our Governors' offices outlining this agreement be entered into the record.

Under the agreement, the utilities formed a "Partnership" comprised of the following companies:

- ❖ Pacific Gas & Electric Company
- ❖ San Diego Gas & Electric
- ❖ Southern California Edison Company
- ❖ Sierra Pacific Power Company
- ❖ Nevada Power Company
- ❖ Rocky Mountain Power and Utah Power, both divisions of PacifiCorp, which is itself part of the MidAmerican Energy Holdings Company.

The utility Partnership is now known as the "Western Regional Transmission Expansion Partnership" and is considering the benefits to the states involved in the Frontier Line in coordination with utility representatives from two other states in an effort to provide a

more comprehensive evaluation of the benefits of broader regional transmission objectives.

The utilities that have engaged with the Frontier Line Partnership in this broader coordinated effort on transmission planning are Arizona Public Service (APS) and Public Service Company of New Mexico (PNM). APS is currently pursuing its own project, The TransWest Express, which we view as a highly complimentary transmission project to the Frontier Line.

In short, it is the Frontier Line Board's view that the Frontier Line will help create a new paradigm for how energy infrastructure can be planned and built and that this is necessary to accelerate the development of new, advanced clean energy technologies making America stronger, more energy independent and more economically competitive on a global basis.

It also will help us more rapidly reach a goal that I believe is shared by virtually all members of the Subcommittee: **achieving a workable, common sense balance between environmental conservation and economic growth.**

Mr. Chairman and members of the Subcommittee, I have included at the end of my full testimony:

- A copy of the Memorandum of Understanding between our Governors that launched this project; a historic perspective on efforts to expand the West's transmission grid;
- A copy of the Letter of Agreement between our Governors' offices and the Frontier Line Partnership investor-owned utilities;
- Detail on the evolution of this project;
- The reasons why our Governors believe that a project like the Frontier Line is needed; and
- A listing of the specific project criteria developed by our four Governors' offices that we used as a guide in moving this project forward.

Comments On The Section 368 Process

Let me get to the question you posed today – how can meet the electricity demand in the West through responsible development of energy rights-of-way on federal lands?

As you know, federal agencies such as the Department of Energy, the Department of Interior's Bureau of Land Management, the USDA Forest Service, and the Department of Defense are working on two processes as directed by Congress to designate energy corridors in the West for expedited siting of energy infrastructure projects. I will limit my remarks today to the "Section 368 process," which is the subject of this hearing.

In general, our States applaud the Congress and the Administration for taking on the task of designating such corridors through federal lands.

We are still studying the preliminary draft maps that were recently released by DOE, as are a wide range of stakeholders in our States.

However, I can say at this stage that our States believe the effort to designate these corridors will help increase the regulatory certainty upon which energy infrastructure investment depends. That is a critical goal for our entire region.

As the 368 process continues, we are encouraging the Agencies to focus on an outcome that helps achieve the goal of significantly increasing our domestic energy supplies to support greater energy independence as Congress envisioned with passage of EPAct05.

We believe further that successful completion of the 368 process will be essential to the development of projects such as the Frontier Line.

As our Governors, and the Western Governors' Association has noted for several years, difficulties related to the siting of energy infrastructure systems such as high-voltage transmission lines is almost never caused by the intransigence and opposition of States. It is, unfortunately, more often because of difficulties that we, and private sector developers, face in navigating the difficult shoals of getting approvals from federal agencies. Those hurdles range from securing approval for siting permits on federal lands to working through necessary steps involved in the Endangered Species Act, the National Environmental Policies Act and other regulatory processes.

By and large, these federal regulatory processes are necessary and in the public interest. However, we do believe that the 368 energy corridor designation process will help facilitate and expedite the development of much-needed infrastructure projects in the West, and we support its completion.

I would also note that my state, Utah, is fundamentally committed to balancing the interest of the environment, economy and energy development. We believe that all interests can be better met when there is greater certainty in the regulatory processes.

Furthermore, a number of stakeholders and experts in our States are making specific recommendations with regard to the corridor designations and to the programmatic Environmental Impact Statement. I have attached a listing of those recommendations to my testimony. I offer these not as formal recommendations from our States but as ideas that are now being discussed by some of our States' stakeholders with the 368 agencies.

Summary

In summary, Members of the Subcommittee, I would make these points:

- ❖ The West needs a strong and robust electricity grid that can deliver affordable, reliable and ever-cleaner power to our consumers.
- ❖ Federal and state policymakers have a very important role to play in facilitating increased investment in that grid.
- ❖ Efforts like the 368 process are critical to facilitating the siting and construction of new electricity infrastructure in the West.

Mr. Chairman, and Members of the Subcommittee, I can speak for all of the Frontier Line Governors when I say that our States look forward to working with you, and with the entire Congress, in collaborative efforts to strengthen our nation's energy infrastructure.

I would be happy to take questions at your convenience.

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**MEMORANDUM OF UNDERSTANDING
AMONG THE GOVERNORS OF CALIFORNIA, NEVADA, UTAH AND
WYOMING
CONCERNING ELECTRIC TRANSMISSION DEVELOPMENT**

WHEREAS, there is growing consumer electric demand in the West that will necessitate the construction of substantial new electric generating resources;

WHEREAS, the western electricity crisis of 2000-01 brought into sharp focus the harm to consumers that can be caused by electricity grids that are overcommitted and constrained;

WHEREAS, the region has vast renewable and conventional resources, often remotely located, the development of which could economically meet this growing demand and provide important economic development benefits to the states;

WHEREAS, electric transmission in the West is still constrained and, as a result, the region's ability to utilize its remotely located renewable and conventional resources is seriously impaired;

WHEREAS, in the wake of the 2000-01 crisis, our states and other western states devoted significant resources to identifying needed transmission upgrades, notably the Western Governors' Association's *Conceptual Plans for Electricity Transmission in the West*, and the *Rocky Mountain Area Transmission Study* produced by a broad group of stakeholders following a memorandum of understanding between Wyoming Governor Freudenthal and former Utah Governor Leavitt to promote such a study;

WHEREAS, the region can ill-afford to wait any longer, as the failure to act now could lead to a new energy crisis in the future;

WHEREAS, we are committed to build on previous work and determined to see the process of planning and developing needed new transmission resources through to conclusion;

WHEREAS, we recognize that developing significant new transmission facilities is a highly complicated process that will require our active support and participation, as well as the support of other government agencies at the federal, state and local governments;

WHEREAS, we further recognize that the Western Interconnection is a single interconnected grid that operates synchronously and we, therefore, do not exclude participation in our efforts by other western states;

WHEREAS, we understand that, for our efforts to be successful, all participating states must share in the benefits.

NOW, THEREFORE, we are resolved as follows:

1. **Purpose.** The purpose of this Memorandum of Understanding is to declare our support for and to create a structure that will allow us to pursue the further development of the Transmission Project. The Transmission Project involves the construction of a transmission line through Wyoming, Utah, Nevada and into California. The Transmission Project will be designed to provide economic benefits to all four states, as well as enhanced reliability for the West's overall high-voltage transmission grid. The Transmission Project may be further defined and redefined as we move forward, and we do not mean to exclude the possibility of inclusion of additional facilities that will provide benefits to other states as well as ours.

2. **Coordinating Committee.** We hereby create the Transmission Project Coordinating Committee of which each state will be a member. Each state will be represented on the Coordinating Committee by a senior-level staff person of its choosing. Each state will promptly designate its representative and further commit active participation by such staff, as well as necessary and appropriate back-up staff resources. We recognize that the Transmission Project will not move forward unless the project is strongly supported at the highest levels of each of our governments and the necessary time and resources are committed. It is anticipated that the Coordinating Committee will meet in person or telephonically frequently in carrying out its work.

3. **Work of Coordinating Committee.** Preliminary work has been done to identify a preliminary route for the Transmission Project and to estimate the pre-construction feasibility work that needs to be accomplished before the Transmission Project can be financed. It is recognized that one or more developers will ultimately develop the project, and such developer(s) will fund much of the feasibility work. However, given the complexity of the Transmission Project, and the numerous complicated legal, regulatory and other issues, it is our belief that further conceptual-level work must be done by us in order to identify a more specific Transmission Project that our states can support and assist. Accordingly, the purpose of the Coordinating Committee will be to fulfill the role of a surrogate developer until the Transmission Project can be made available for further feasibility analysis and development by a developer(s). Specifically, the Coordinating Committee will (a) further define and study the Transmission Project route and the associated legal, regulatory, engineering, financial, environmental, permitting and other development issues; (b) give particular attention to methods for resolving legal or regulatory barriers to the Transmission Project that cannot be avoided through mitigation or re-routing of the facilities; (c) define a

Transmission Project that our states will support and promote; and (d) create a subsequent process for selecting a project developer(s) which will proceed with necessary additional feasibility work and develop the project.

4. **Funding.** In order to carry out the work of the Coordinating Committee, technical and legal consultants will need to be retained and other costs will need to be incurred. The Coordinating Committee will develop a funding plan for the four states. Any funds contributed by the States should be reimbursable by the project sponsor.

5. **Selection of Consultants.** The Coordinating Committee will jointly select legal, technical and other consultants as needed to assist the committee in its work. The consultants will report directly to the Coordinating Committee.

6. **Further Definition of Scope of Work.** Following selection of consultants, the initial task of the Coordinating Committee, working with its consultants, will be to establish a detailed scope of work, budget and timeline for completion of the work of the Coordinating Committee.

7. **Immediate Legislative and Regulatory Work.** Notwithstanding the need to retain consultants and define a scope of work, there is a certain body of work that can be undertaken now to promote the Transmission Project. This includes, but is not limited to, legislative and potentially regulatory work at least at the federal level. This work should proceed even as consultants are retained and the work of the Coordinating Committee gears up. Funds contributed by states or other organizations may be reimbursable once a funding mechanism and budget is in place under the direction of the Coordinating Committee.

8. **Other States.** The Coordinating Committee will investigate proposals made for complementary western transmission projects to determine whether the Transmission Project should be expanded to incorporate such other projects in whole or in part. However, it is important to keep the work of the Coordinating Committee on the Transmission Project on track. Accordingly, any work investigating other transmission projects should be undertaken only if it does not delay work on the Transmission Project.

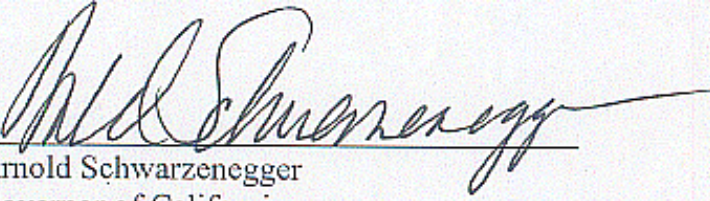
9. **Coordination.** The Transmission Project cannot succeed unless the Coordinating Committee seeks input from and works with federal, state and local officials having jurisdiction over aspects of the project and with interested stakeholders. Accordingly, the work of the Coordinating Committee will be undertaken in an open and collaborative fashion. At the same time, we recognize that it is our responsibility, as the elected representatives of the four affected states, to lead this process forward.

10. **Consensus Decision-making.** We will operate on the principle of consensus. All decisions must be made unanimously. We commit to working with each other in an open and good faith manner.

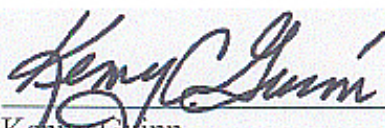
11. **Effective Date.** This MOU shall become effective when signed by all of the parties.

12. **Withdrawal/Termination/Amendment.** Any party to this MOU may withdraw at any time upon written notice to the others. This MOU will terminate if two parties withdraw. This MOU can be amended or modified if all parties agree.

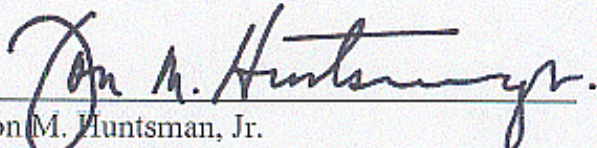
13. **No Legal Effect.** Nothing in this MOU shall be construed to limit, repeal, or in any manner modify the existing legal rights, privileges, and duties of the signatories as provided by agreement, statute or any other law or applicable court decision.


Arnold Schwarzenegger
Governor of California


4/4/05
Date


Kenny Guinn
Governor of Nevada

4/4/05
Date


Jon M. Huntsman, Jr.
Governor of Utah

4/4/05
Date


Dave Freudenthal
Governor of Wyoming

4/4/05
Date

PACIFIC GAS & ELECTRIC COMPANY
SAN DIEGO GAS & ELECTRIC
SOUTHERN CALIFORNIA EDISON COMPANY
SIERRA PACIFIC POWER COMPANY
NEVADA POWER COMPANY
ROCKY MOUNTAIN POWER (A PacifiCorp Division)
UTAH POWER (A PacifiCorp Division)

April 5, 2006

Dr. Laura Nelson
Energy Policy Advisor
Office of Governor Huntsman
Utah

Mr. Joe Desmond
Chairman
California Energy Commission
California

Ms. Rebecca Wagner
Energy Policy Advisor
Office of Governor Guinn
Nevada

Mr. Steve Ellenbecker
Energy Policy Advisor
Governor Freudenthal
Wyoming

Ladies and gentlemen:

The investor owned utilities listed above are pleased to submit to you, the designated board members of the Frontier Line Transmission Development Association (“FLTDA”), a proposal that is intended to materially further the progress of the Frontier Line Transmission Project (the “Project”). This proposal builds upon the work of the Rocky Mountain Area Transmission study of September 2004 and the Memorandum of Understanding (MOU) among the Governors of California, Nevada, Utah and Wyoming, dated April 4, 2005. Further, we believe that this proposal is fully compliant with your project evaluation criteria of February 2006.

In the April 4, 2005 MOU, the Governors declared their support for the creation of a structure to pursue the further development of this Project involving a transmission line through Wyoming, Utah, Nevada and into California in order to facilitate the development of renewable energy facilities and advanced coal and natural gas power facilities in the Rocky Mountain region. This Project may also result in the addition of substantial new generating capacity that could serve rapidly growing loads in each of our service territories. As such, the effective analysis, study, development and implementation of such a transmission system could not reasonably be contemplated without our companies’ involvement. Given this reality, we have joined together to form the Western Regional Transmission Expansion Partnership (“Partnership”) in order to

study the various elements of the Project. Also, given the nature of this Project, the Partnership recognizes the need to coordinate transmission planning with Arizona Public Service on its TransWest Express project. We believe that this multi-state partnership would constitute the best means of ensuring both the success of the Project and that all customers in our service territories receive its benefits.

The scope of our proposal is as follows:

1. The Partnership should be designated by the FLTDA to develop a feasibility report for the Project, conducted in an open stakeholder process, and a conceptual plan for its implementation.
2. The feasibility report and conceptual plan for implementation should include:
 - a. Analysis of future load demand in the region and resource options to satisfy such demands;
 - b. Analysis of existing transmission and distribution systems to be affected, including proposed expansions currently in planning;
 - c. Analysis of cost effective transmission system designs, routings and interconnection issues, including phased design and incremental expansion options;
 - d. Analysis of overall or phased cost of the transmission system as well as projected cost of future generation options in order to determine delivered cost of new generation to various load centers; and
 - e. An economic analysis of the benefits created by the new transmission system in the four affected states.

We believe that the feasibility report and conceptual plan for implementation can be completed in approximately 12 months from notice to proceed.

If the Project is determined to be feasible and beneficial in comparison to other resource alternatives available to members of the Partnership by the FLTDA, us, and state regulators, members of the Partnership would have the option of participating in a second phase of the Project development, which would provide for the development of a financial plan, obtaining all necessary regulatory approvals, obtaining all rights-of-way, and the development of a construction schedule and operational methodology.

To assist us in our effort, we respectfully request the FLTDA's assistance in the following areas:

1. Engage the FERC and/or the appropriate regulatory body in each state, in conjunction with the Partnership, to work to facilitate consideration of proper recovery of prudently incurred costs associated with the preparation of the feasibility report for the Project and conceptual plan for its implementation and to ensure that the costs of developing, constructing and maintaining the Project are properly allocated among the broad range of beneficiaries.

2. Regularly inform and facilitate prompt reactions from individual state regulatory agencies when called upon by the Partnership in order to ensure timely regulatory approvals; and
3. Be available at least monthly in order to review progress and to provide input as necessary into the process.

If this proposal is acceptable to your represented state, please sign below. Thank you for your consideration, and we look forward to working together.

Sincerely yours,

_____/s/_____
Stewart Ramsay
for Pacific Gas & Electric Company


_____/s/_____
James Avery
for San Diego Gas & Electric

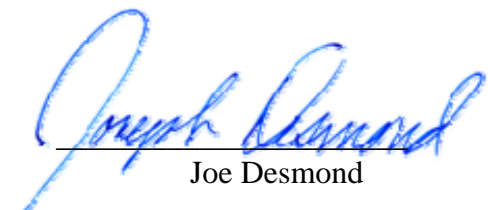
_____/s/_____
Gary Tarplee
for Southern California Edison Company

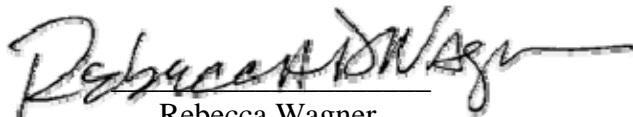
_____/s/_____
Carolyn Barbash
for Sierra Pacific Power Company
and Nevada Power Company

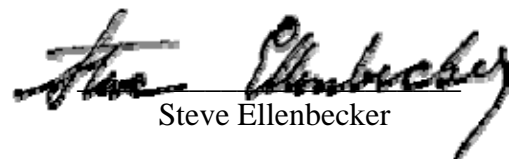
_____/s/_____
Jonathan Weisgall
for Rock Mountain Power (a PacifiCorp division)
Utah Power (a PacifiCorp division)

Agreed to:


Laura Nelson, Ph.D.


Joe Desmond


Rebecca Wagner


Steve Ellenbecker

Background of the Frontier Line

On April 4th, 2005, the Governors of Wyoming, Utah, Nevada and California signed a Memorandum of Understanding setting forth the conditions under which the four states would jointly coordinate efforts to develop new interstate transmission projects, collectively referred to as the “Frontier Line.” The effort was undertaken in response to growing consumer energy demand; a desire to develop the vast resources across the West, including renewable resources such as wind and advanced, clean coal technologies; and the critical need to further diversify the West’s energy portfolio in order to strengthen our nation’s energy and national security.

The Governors declared their support for the creation of a structure that would allow them to support projects that would provide benefits to all consumers consistent with the policy objectives of each state. The purpose of this document is to provide guidance to interested transmission developers on the criteria by which the four states will evaluate proposed projects.

In addition to the substantial economic benefits new transmission projects can provide, new interstate transmission will:

- Strengthen the reliability of the West’s transmission system.
- Better protect consumers from energy shortages and price spikes.
- Encourage a broader, diversified energy portfolio.
- Reduce reliance on foreign energy imports and enhance domestic energy security.
- Encourage new technologies that can accelerate the development of renewable energy generation and reduce the cost of controlling emissions from the West’s vast fossil fuel resource base.

Historic Perspective Leading Up To The Frontier Line

Efforts to develop new transmission projects across western states have been underway for years. The following highlights some of the recent planning activity leading up to the MOU:

- **May 2001** - Western Governors Association's (WGA) Transmission Roundtable-commissioned 60-day crash effort.
- **August 2001** - Governors receive Conceptual Transmission Plans Report for Western Interconnection.
- **August 2001** - Governors request Seams Steering Group-Western Interconnect (SSG-WI) to institutionalize pro-active, interconnection-wide transmission planning.
- **February 2002** - WGA White Paper on transmission financing completed.
- **June 2002** - 12 Governors and 4 federal agencies sign interstate transmission permitting protocol (Alberta joins in 2004).
- **2003** – Western States play an active role in development of SSG-WI's October 2003 report.
- **September 2003** - Utah and Wyoming Governors launch the Rocky Mountain Area Transmission Study (RMATS).
- **November 2003** – California Energy Commission publishes: “Transmission Interconnection Needs Under Alternative Scenarios: Assessment of Resources, Demand, Need For Transmission Interconnections, Policy Issues and Recommendations For Long Term Transmission Planning.”
- **2003** – Western States participate in SSG-WI and other sub-regional planning groups, such as the Northwest Transmission Assessment Committee (NTAC); the Southwest Transmission Expansion Plan (STEP); and the Southwest Area Transmission study (SWAT).
- **June 2004** – WGA unanimously passes the Clean and Diversified Energy Initiative Resolution, calling for an examination of “the feasibility of and actions that would be needed to achieve a goal to develop 30,000 MW of clean energy in the West by 2015 from resources such as energy efficiency, solar, wind, geothermal, biomass, clean coal technologies, and advanced natural gas technologies.” The Clean and Diversified Energy Advisory Council is directed to consider deliverability and transmission assessments for the report.
- **June 2004** - Western governors accept recommendations to build the capacity of States, to participate in regional transmission planning/expansion, and other regional electric power issues (e.g., resource adequacy, reliability).
- **September 2004** - RMATS Phase I recommendations released.

- **October 2004** - Pursuant to RMATS recommendations, the Committee on Regional Electric Power Cooperation (CREPC) establishes a work group of representatives of five public utility commissions (PUCs), representing MT, WY, UT, ID and NV to evaluate the adoption of transmission pricing and cost recovery principles.
- **December 2004** - Western governors receive requested recommendations on how to finance State participation in regional power issues.
- **January 2005** – Consumer Council of America releases “Keeping the Power Flowing: Ensuring a Strong Transmission System to Support Consumer Needs for Cost-Effectiveness, Security and Reliability.”
- **February 2005** - Western Governors receive requested study of whether industry has in place adequate institutions to address transmission planning and expansion and other regional electricity functions on a sustained basis.
- **April 2005** – Four states (CA, NV, UT and WY) announce plans to support the development by a project sponsor of the Frontier Line.

#

Why The Frontier Line Is Needed

- Demand for electricity in high-population states in the West is projected to grow significantly in the coming decades. However, siting generation near load is increasingly difficult and costly. Tapping into abundant and relatively low-cost fossil and renewable resources in the Intermountain West will help keep the West's economy growing and will reduce price pressures on consumers.
- California faces a significant need for new generation. Using a historic growth rate of 2% per year, California must add 1,000 MW of new capacity each year, net of retirements, into the foreseeable future. The Frontier Line transmission project will help meet that need.
- As a region, the West has seen load growth of more than 60 percent in last 20 years, but high-voltage transmission has expanded less than 20 percent. This project will increase reliability and ease transmission bottlenecks throughout the region.
- This transmission line also will help arbitrage hydro conditions and fuel price volatility, mitigate potential market power abuse, better insure against catastrophic events like blackouts, and enable new markets for clean energy resources.

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Public Policy Criteria Of The Governors

The proposed project will be evaluated by the Governors of these States based on the ability to achieve the following important public policy goals:

☒ **Promote Resource Diversity**

Resources developed to meet growing electrical demand must be clean, diversified and economically and technologically viable. Transmission projects should be designed to allow the fullest possible use of renewable resources.

Proposed projects should identify strategies that ensure renewable resource access to the transmission line, including innovative approaches that ensure a significant amount of capacity is available to renewable developers. Renewable-fossil partnerships are important because the combination of resource attributes can provide significant complimentary benefits for system operation. Additional transmission is needed to bring renewables online faster and more cost-effectively.

☒ **Incorporate Advanced Technologies and Design Concepts**

States are interested in innovate approaches that make use of the best technology for transmission infrastructure development. The use of such technology should facilitate the siting and permitting process. States also are interested in design concepts that will minimize line loss, improve reliability and minimize environmental impacts. Proposals also should identify opportunities to integrate with other transmission projects in order to reduce costs, enhance reliability and increase generation resource diversity.

☒ **Produce Economic and Reliability Benefits**

The project must demonstrate net economic consumer benefits in each of the states and in all of the four states collectively. A transparent approach to modeling economic benefits is important. Projects also should identify expected reliability benefits across the West. Because the Western Interconnection is a single interconnected electrical system that operates synchronously, participation in our efforts by other Western states is welcome and can add value to a well-planned project.

☒ **Ensure Broad Stakeholder Participation**

It is incumbent upon project developers and the States to engage with stakeholders throughout all phases of project development. States are particularly interested in outreach and education as a development objective. This communication process will require a coordinated effort across the public and government agencies at the federal, state, and local levels.

☒ **Promote Equitable Cost Allocation within a Regulatory Framework**

Recognizing that load growth and benefits of transmission will change over time, States are interested in the project's capital structure and its ability to lend itself

towards equitable cost allocation methodologies. The region must consider new approaches to the allocation and recovery of project capital costs in a manner that recognizes the widespread benefits to electric generators and customers across a broad region. Working through these issues will require active participation of many parties over a period of time. Cost recovery proposals also will impact project financing. Proposed projects should identify how the anticipated capital structure will minimize costs to consumers.

☒ **Allow for Incremental Implementation**

The project should be designed to enable development in phases, with an initial phase of between 1500 and 3000 MW, accompanied by a long-term strategic plan for the eventual development of up to 12,000 MW. Wherever possible, rights-of-way and permitting should be sized to support future project expansion. Early-stage project analysis should include extensive engineering feasibility review as an integral component of development. Work should be coordinated with existing utilities, state, regional and federal planning organizations, as well as other ongoing Western transmission projects and control area operators. Project design in early phases should remain flexible.

☒ **Ensure Developer Commitment**

Developers should demonstrate to the Governors their ability to successfully plan, finance and construct the project while satisfying the aforementioned criteria. The project developers must have significant transmission system experience and the financial resources to commit toward implementing the steps necessary to complete the project in a timely fashion.

☒ **Build a Collaborative Relationship**

The States of California, Nevada, Utah and Wyoming can provide a unique, critical synergy to advancing infrastructure projects, built on the opportunity to move low-cost renewable and clean-technology conventional resources from remote locations where they are abundant to distant centers of rapid electric load growth. Our objective is to maximize economic value in resource rich regions of each state by providing political, regulatory, and community support for the development of a large-scale pathway to load-serving utilities in Utah, Nevada and California, thereby maximizing the project's value to customers.

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Western Stakeholder Comments On The Section 368 Energy Corridors Process

1. Provide More Detailed Maps

Providing maps with specific details, including global positioning coordinates, is a significant task. However, many stakeholders believe that it is essential to ensure that the feedback provided by the public and other interested stakeholders is meaningful. Using existing technology, the Agencies should consider providing detailed and comprehensive maps so that stakeholders can assess the adequacy of the corridors in meeting the American West's energy needs.

2. Use technical and engineering requirements in providing corridor specifications.

By basing corridor specifications on technical and engineering requirements and vegetation management needs, stakeholders believe that flexibility can be provided for multiple users. Specifications should provide for the following:

- Existing corridors should be considered for expansion (i.e. width expansion to accommodate 69kV and above transmission lines). This will allow for the expansion or upgrading of facilities to improve reliability and expand capacity;
- In expanding the use of existing corridors, the specifications need to address areas of existing corridors that are constricted. Equitable policies should be put in place for current rights-of-way holders and new users; and
- Corridors should be large enough to accommodate multiple energy infrastructure facilities in adjoining rights-of-way without impeding or encroaching on each other for technical or logistical reasons. This will require corridors to be greater than 3,500 feet in width in many places.

With regard to the Programmatic EIS, a number of stakeholders in our States are making these suggestions:

1. Create sound and efficient siting procedures.

Establishment of sound and efficient procedures for the siting of energy facilities within designated corridors is vital. To that end, effective federal corridor siting procedures should:

- Eliminate duplicate environmental analyses;
- Allow FLMs to approve some segments of a linear project that fall within bounds and limits of the PEIS without additional field surveys;

- Include a rebuttable presumption that compatible facilities that are seeking to be sited within a designated corridor qualify as a categorical exclusion from NEPA;
- Provide for a streamlined consultation process where threatened or endangered species are implicated;
- Assure that each energy sector receives equitable consideration in the siting process; and
- Ensure that the permit terms for infrastructure align with the useful life of that infrastructure.

2. Protect corridors when public land ownership is transferred.

Land disposal or swaps that would allow land subject to corridor designations to be transferred to private ownership can create obstacles for the use of such corridors. Such transfers should generally be considered an incompatible use. If allowed, stipulations should be required to assure that: the land is used as a corridor; adequate authority is granted to maintain and operate that corridor; and increased rental fees are prevented.

Along with protecting these corridors from land transfers, provisions need to be included to meet the needs of private land owners who may be in the energy corridor, without disrupting the creation and use of the corridor.

3. Provide for the designation of additional corridors.

Designated energy corridors under this PEIS should not be considered the exclusive energy corridors to be sited on federal lands in the West. It is impossible to successfully anticipate, today, the energy infrastructure needs of the Western Region 15 to 20 years down the road. Thus, it is critical that part of the scoping exercise be devoted to developing a process for designation of future corridors. This process should allow for an integrated, multi-jurisdictional evaluation and decision-making process.

4. Corridor designations are not a panacea for the siting of all energy infrastructure.

While the Roundtable is an ardent supporter of designated corridors, we do not believe that all energy infrastructure activities on federal lands can, or should, be limited exclusively to such corridors. There are circumstances where the resource location, technical efficiencies, economics and location of energy markets will dictate infrastructure development outside designated corridors. This process should not forestall energy infrastructure developers from seeking permits elsewhere on federal lands, so long as any environmental impacts can be properly mitigated.

5. Establish methods for revising or updating corridor lists or studies

Because of the long-term aspects of energy corridor designations, it would be advisable to have in place a review process that could update the list of corridors, or revise the initial studies underlying the designations; in order to take into account changed circumstances or new developments.

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